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## United States Senate

WASHINGTON, DC 20510-3204

February 3, 2006

COMMITTEES:  
ARMED SERVICES  
ENVIRONMENT AND PUBLIC WORKS  
HEALTH, EDUCATION, LABOR, AND PENSIONS  
SPECIAL COMMITTEE ON AGING

The Honorable Martin J. Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
Room 6028  
550 17th Street, N.W.  
Washington, D.C. 20429

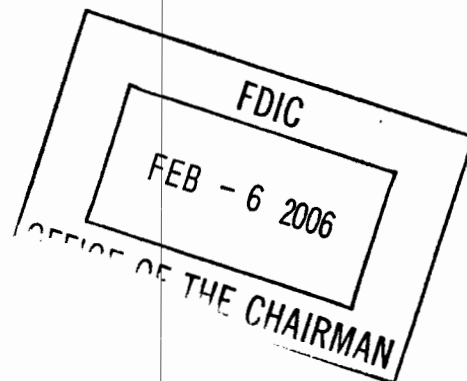
Dear Mr. Gruenberg:

As you prepare to address issues pertaining to the role of industrial loan companies (ILCs), I would like to express my serious reservations about the expansion of these financial institutions which I believe could create an imbalance in the entire financial services sector.

Like many of my colleagues, I continue to believe that the clear separation of banking and commerce activities, re-established as recently as the *Gramm Leach Bliley Financial Services Modernization Act*, should continue to be respected and upheld. I have consistently opposed attempts by banking interests to enter certain commercial activities, and therefore, I am concerned about the recent attempts of wholly commercial entities such as e Wal-Mart, to exploit a loophole in this existing prohibition in order to expand their reach into the banking and financial services realm.

With the dramatic expansion of ILCs over the last several decades, I am particularly concerned that these financial institutions do not have the same oversight and regulatory structure that traditional, full service commercial banks have. While the FDIC has supervisory authority over insured ILCs, its authority and oversight powers are less extensive than those granted to the supervisors of banks and thrift holding companies. Therefore, I believe that ILCs, by their very nature, may pose a greater risk of loss to the FDIC than other insured depository institutions.

I am aware that former Chairman of the Federal Reserve Alan Greenspan, in one of his last communications with Congress, noted that assets in ILCs have grown by more than 3,500 percent between 1987 and 2004 and the aggregate amount of estimated insured deposits held by ILCs has increased by more than 500 percent since 1999. Given the prominence of ILCs, and their growing imprint on the banking sector, Chairman Greenspan warned that, "These changes are undermining the prudential framework that Congress has carefully crafted and developed for the corporate owners of other full-service banks", and, "threaten Congress' ability to determine the direction of our nation's financial system."



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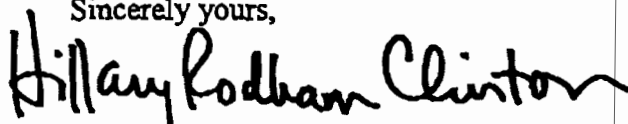
Congressman Jim Leach, one of the principal authors of the *Financial Services Modernization Act* has stated that, "The bizarre loophole that allows commercial companies to breach the separation of commerce and banking through a statute limited to a handful of states creates inequities in industry regulation and state authority."

After hearing from very concerned constituents about Wal-Mart's application for federal insurance for their ILC, I see this as a time to urge the FDIC to give serious and careful review to the relevant issues before moving forward on any application for federal insurance. Indeed, I believe that any action by the FDIC that would lessen or loosen the oversight for ILCs while granting it the same privileges and functions of traditional commercial banks would be a critical mistake and stand in stark contrast to the fundamental principle of the separation of banking and commerce.

As you surely recognize, the FDIC's actions on the Wal-Mart application could have a significant impact on the direction of the financial services sector. I again urge you to give all due consideration to the many concerns that have already been raised on this matter as you move forward.

Thank you for your attention to this issue. For any further information, please contact my staff member Mike Szymanski at 202-224-8697.

Sincerely yours,

A handwritten signature in black ink that reads "Hillary Rodham Clinton". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Hillary Rodham Clinton